

Message Text

PAGE 01 STATE 143088

60

ORIGIN EA-04

INFO OCT-01 ISO-00 /005 R

66011

DRAFTED BY: EA/EP:MHENDERSON:SJP

APPROVED BY: EA/EP:AGEBER

----- 024356

R 261935Z JUL 76

FM SECSTATE WASHDC

TO AMCONSUL HONG KONG

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY SINGAPORE

AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE STATE 143088

FOLLOWING REPEAT STATE 143088 ACTION ALL OECD CAPITALS 12 JUNE
1976.

QUOTE

LIMITED OFFICIAL USE STATE 143088

E.O. 11652: N/A

TAGS: EINV, OECD

SUBJECT: OECD INVESTMENT PACKAGE: INFORMING THE
U.S. BUSINESS COMMUNITY ABROAD

REF: OECD PARIS 12796

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 143088

1. AS DESCRIBED REFTEL, AND AS RECONFIRMED AT MAY 20
MEETING OF THE OECD COMMITTEE ON INTERNATIONAL INVESTMENT
AND MULTINATIONAL ENTERPRISES (CIME), THERE IS NOW AD
REFERENDUM AGREEMENT (WITH MAJOR EXCEPTION OF CANADA RE

NATIONAL TREATMENT DECLARATION) ON ADOPTION BY OECD MINISTERS ON JUNE 21-22 OF THE OECD INVESTMENT PACKAGE. THE PACKAGE WILL INCLUDE A SINGLE DECLARATION CONSISTING OF GUIDELINES FOR MULTINATIONAL ENTERPRISES, AND RELATED INTERGOVERNMENTAL UNDERTAKINGS ON NATIONAL TREATMENT AND INTERNATIONAL INVESTMENT INCENTIVES/DISINCENTIVES, ALONG WITH THREE PARALLEL DECISIONS ON FS/DBLINHENTICESSULLONION PROCEDURES IN THE OECD IN EACH AREA.

2. USG IS CURRENTLY ENGAGED IN AN ACTIVE PROGRAM WITH THE U.S. BUSINESS COMMUNITY TO EXPLAIN THE OECD INVESTMENT PACKAGE, AND TO ENCOURAGE SUPPORT OF U.S. INDUSTRY FOR THE GUIDELINES. TO SUPPLEMENT THIS EFFORT, PARTICULARLY AFTER THE GUIDELINES HAVE BEEN ADOPTED BY MINISTERS ON JUNE 21-22, WE BELIEVE IT IS ALSO ESSENTIAL TO STRESS THE IMPORTANCE OF THE OECD INVESTMENT PACKAGE TO SENIOR EXECUTIVES OF U.S. SUBSIDIARIES ABROAD. THE U.S. HEAD-QUARTERS OF MANY MNES MAY DRAW ON THE VIEWS OF THEIR SENIOR OVERSEAS SUBSIDIARY EXECUTIVES IN DETERMINING THEIR REACTIONS TO THE OECD INVESTMENT PACKAGE. FURTHER-MORE, TO THE EXTENT THAT DECISIONS OF BEHAVIOR UNDER THE GUIDELINES LIE WITHIN THE DISCRETION OF MANAGEMENT LOCATED ABROAD, THEIR SUPPORT AND UNDERSTANDING IS DIRECTLY RELEVANT TO THE SUCCESS OF THE GUIDELINES.

3. WE THEREFORE THINK THAT IT WOULD BE USEFUL FOR OECD POSTS TO UNDERTAKE A PROGRAM SOON AFTER OECD MINISTERIAL TO BRIEF U.S. ENTERPRISES OPERATING IN OECD COUNTRIES REGARDING THE INVESTMENT PACKAGE. EMBASSIES SHOULD CONSIDER SPECIAL MEETINGS WITH KEY LOCAL U.S. BUSINESS EXECUTIVES, COOPERATION WITH LOCAL U.S. CHAMBERS OF COMMERCE, ETC. AS PART OF THIS EFFORT. TALKING POINTS ARE PROVIDED BELOW. WE WILL AIR POUCH COPIES OF OECD INVESTMENT PACKAGE AND OTHER BRIEFING MATERIALS IN COMING WEEKS.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 STATE 143088

4. FOR BERN, BONN, BRUSSELS, THE HAGUE, LONDON, PARIS, ROME: WE ARE ASKING AMBASSADOR WILLIAM C. TURNER OF USOECD TO MAKE HIMSELF AVAILABLE TO PARTICIPATE IN THE IMPLEMENTATION OF THIS PROGRAM IN YOUR COUNTRIES. WE INVSION THAT AMBASSADOR TURNER WOULD MEET WITH SELECTED CHIEF EXECUTIVE OFFICERS OF THE PRINCIPAL U.S. MULTINA-TIONALS OPERATING IN YOUR COUNTRY. AMBASSADOR TURNER HAS AGREED THAT FORMAT SHOULD BE FLEXIBLE AND KEYED TO THE AUDIENCE, BUT MIGHT TYPICALLY CONSIST OF A 20 TO 30 MINUTE PRESENTATION BY THE AMBASSADOR, WITH AN ENSUING PERIOD OF DISCUSSION. THE GROUP SHOULD PROBABLY BE OF A SIZE AND CHARACTER TO FOSTER A CANDID AND INFORMAL EXCHANGE OF VIEWS. THESE MEETINGS WOULD NOT NECESSARILY

HAVE TO BE IN CAPITALS, BUT IN THE INDUSTRIAL CENTER OF YOUR COUNTRY, IF APPROPRIATE. AMBASSADOR TURNER HAS INDICATED HE WILL BE AVAILABLE ALL OF THE WEEK OF JUNE 28 FOR THIS PROGRAM, AND ON SOME ADDITIONAL DATES DURING THE EARLY PART OF JULY. ACTION EMBASSIES MAY MAKE DIRECT CONTACT WITH AMBASSADOR TURNER IN PARIS TO DISCUSS ARRANGEMENTS AND NATURE OF FUNCTIONS, AS WELL AS TO SET MUTUALLY CONVENIENT DATES.

5. BEGIN TALKING POINTS

--THE OECD COUNCIL MEETING AT MINISTERIAL LEVEL ON JUNE 21-22 AGREED ON A DECLARATION AND DECISIONS ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES.

-- THE PRIMARY ELEMENTS OF THE MNE GUIDELINES WILL BE;

-- A POLITICAL AFFIRMATION BY GOVERNMENTS THAT INTERNATIONAL INVESTMENT INCREASES WELFARE GENERALLY AND SHOULD BE FACILITATED;

-- CODIFICATION OF GENERALLY ACCEPTED STANDARDS OF BUSINESS PRACTICE TO DISPEL THE IMAGE THAT MNES ARE ABOVE OR BEYOND THEM;

-- A RECOMMITMENT OF GOVERNMENTS TO THEIR OBLIGATIONS VIS-A-VIS MNES (NON-DISCRIMINATORY AND EQUITABLE TREATMENT, IN PARTICULAR);
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 04 STATE 143088

-- AN INTERGOVERNMENTAL CONSULTATION PROCESS ON INVESTMENT AND MNE'S.

BACKGROUND

-- THE POLICY OF THE U.S. HAS LONG BEEN TO FAVOR A LIBERAL CLIMATE FOR INTERNATIONAL INVESTMENT. THROUGHOUT MOST OF THE POST-WAR PERIOD SUCH A LIBERAL CLIMATE WAS BEST PURSUED BY OUR ENCOURAGING A HANDS OFF POLICY AS FAR AS GOVERNMENTS WERE CONCERNED.

-- THIS OBJECTIVE OF A LIBERAL CLIMATE IS NOW UNDER PRESSURE FOR NUMBER OF REASONS:

(1) THERE HAS BEEN AN ECONOMIC CHALLENGE TO THE PURPORTED BENEFITS OF FREE INVESTMENT FLOWS FROM SOME ACADEMICS, LABOR ECONOMISTS AND OTHERS.

(2) SOME TRADE UNIONS, PARTICULARLY IN THE EUROPEAN SOCIAL DEMOCRACIES, FEAR THAT THE

POWER OF LABOR IN COLLECTIVE BARGAINING
MAY BE WEAKENED BY MULTINATIONAL INVESTMENT.

(3) THE PROSPECTS OF LARGE SCALE INVESTMENT OF
OPEC SURPLUSES HAS PRODUCED SOME XENOPHOBIC
REACTION TO FOREIGN INVESTMENT.

(4) THE MULTINATIONAL ENTERPRISE SYSTEM HAS ENCOUNTERED
SOME PROBLEMS IN ITS IMAGE AS AN INSTITUTION THROUGH
PROBLEMS OF BRIBERY AND ALLEGED IMPROPER POLITICAL
ACTIVITY.

-- IN AN ENVIRONMENT DOMINATED BY THESE PRESSURES, IT
HAS BECOME CLEAR THAT A LIBERAL INVESTMENT CLIMATE
WILL NOT BE PRESERVED BY A POLICY OF RESIGNED NEGLECT.
SUCH AN APPROACH WOULD FOSTER RATHER THAN DETER A
RAGGED PATTERN OF SHORT-SIGHTED, INCONSISTENT, UNILA-
TERAL RESTRICTIVE MEASURES BY MAJOR INDUSTRIAL
COUNTRIES.

LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 05 STATE 143088

-- OUR OBJECTIVE IN THE OECD HAS THEREFORE BEEN TO CREATE
A MULTINATIONAL DISCIPLINE WHICH CONSTRAINS ISOLATED
ACTIONS BY GOVERNMENTS WHICH ARE AT THE EXPENSE OF
OTHERS. SIGNIFICANCE OF THE INVESTMENT PACKAGE

-- WE VIEW THE OECD INVESTMENT PACKAGE AS A MAJOR STEP
FORWARD IN ACHIEVING THIS OBJECTIVE.

-- EMBODIES IN THIS PACKAGE ARE COMMITMENTS BY OECD
GOVERNMENTS NOT ONLY TO NATIONAL TREATMENT FOR
FOREIGN INVESTMENT, BUT ALSO TO OTHER FUNDAMENTAL
PRINCIPLES THAT WE CONSIDER TO BE OF GREAT VALUE:

-- NON-DISCRIMINATION EITHER AMONG MNES ON THE
BASIS OF PRIVATE OR PUBLIC OWNERSHIP, OR
BETWEEN MNES AND DOMESTIC FIRMS.

-- RECOGNITION OF GOVERNMENTAL RESPONSIBILITIES
TO TREAT MNES EQUITABLY AND IN ACCORDANCE WITH
INTERNATIONAL LAW.

-- UNDERTAKINGS BY GOVERNMENTS TO CARRYOUT CON-
TRACTUAL OBLIGATIONS TO WHICH THEY HAVE
SUBSCRIBED.

-- ENCOURAGEMENT OF THE USE OF INTERNATIONAL
DISPUTE SETTLEMENT MECHANISMS.

-- THROUGHOUT THE NEGOTIATIONS LEADING UP TO THE
PROMULGATION OF THIS PACKAGE, WE MAINTAINED LCOS

CONTACT WITH THE U.S. BUSINESS COMMUNITY, AND OTHER PRIVATE SECTOR INTERESTS, BOTH DIRECTLY AND THROUGH OUR ADVISORY COMMITTEE ON TRANSNATIONAL ENTERPRISES, TO ASSURE THAT THEIR CONCERNS WOULD BE TAKEN INTO ACCOUNT.

--BY AND LARGE, THE REACTION OF MEMBERS OF THE BUSINESS COMMUNITY WAS ONE BOTH OF APPRECIATION FOR THE EXTENSIVE CONSULTATION PROCESS AND OF GRATIFICATION THAT SUCCEEDING DRAFTS OF THE INVESTMENT PACKAGE
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 06 STATE 143088

INCORPORATED IMPROVEMENTS REFLECTING MANY OF THEIR SUGGESTIONS.

--WE VIEW THE FINAL PACKAGE AS PROVIDING THE BASIS FOR A VOLUNTARY COMPACT BETWEEN GOVERNMENTS AND ENTERPRISES DESIGNED TO IMPROVE THEIR MUTUAL UNDERSTANDING AND THUS THE ORDERLY EXPANSION OF PRODUCTIVE FOREIGN INVESTMENT. FOR THEIR PART, THE INDUSTRIALIZED NATIONS ARE SETTING OUT WHAT THEY HAVE AGREED ARE APPROPRIATE STANDARDS OF GOOD BUSINESS PRACTICE FOR ENTERPRISES OPERATING IN THEIR TERRITORIES, WHILE AT THE SAME TIME OFFERING ASSURANCES OF FAIR AND EQUITABLE TREATMENT TO THOSE ENTERPRISES. THE ENTERPRISES WILL NOW HAVE THE OPPORTUNITY TO COMPLETE THE COMPACT BY A FAVORABLE RESPONSE TO THESE GUIDELINES IN THE CONTEXT OF THE GOVERNMENTAL ASSURANCES.

--BY DOING SO, U.S. ENTERPRISES WILL BE DEMONSTRATING THAT THEY ARE IN THE VANGUARD OF WORLD BUSINESS IN TERMS OF THEIR STANDARDS OF BUSINESS CONDUCT.

CONCLUSION

--THE U.S. GOVERNMENT WOULD WELCOME SUCH A RESPONSE IN WHATEVER FORM BY AMERICAN COMPANIES.

--HOWEVER, WASHINGTON WILL NOT ENGAGE IN ARM-TWISTING. THE U.S. GOVERNMENT OPPOSED BINDING INTERNATIONAL GUIDELINES FOR MULTINATIONAL ENTERPRISES IN SIGNIFICANT PART BECAUSE IT FELT THAT THE PROBLEM OF PUBLIC CONFIDENCE IS MOST EFFECTIVELY ADDRESSED BY VOLUNTARY GUIDELINES. THE BEST RESULT IS NOT THAT GOVERNMENTS ENFORCE HIGH STANDARDS THROUGH REGULATION BUT THAT ENTERPRISES THEMSELVES INDICATE FROM THEIR SIDE THAT THEY CAN AND WILL APPLY HIGH STANDARDS OF BUSINESS PRACTICE. ROBINSON UNQUOTE KISSINGER

LIMITED OFFICIAL USE

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 15 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, COMMITTEE MEETINGS, MEETING REPORTS, INVESTMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE143088
Document Source: ADS
Document Unique ID: 00
Drafter: EA/EP:MHENDERSON:SJP
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760288-0467
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197607109/baaaepds.tel
Line Count: 270
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <04 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD INVESTMENT PACKAGE: INFORMING THE
TAGS: EINV, HK, OECD
To: HONG KONG INFO BANGKOK
JAKARTA
MANILA
KUALA LUMPUR
SEOUL
TAIPEI

TOKYO
CANBERRA
SINGAPORE
WELLINGTON

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006